

Guidelines concerning Association Member Analysts' Interviews, etc. with Issuers and Communication of Information ¹

September 20, 2016

1. Purpose of Establishing Guidelines

The Japan Securities Dealers Association has formulated the Rules Concerning Handling of Analyst Reports (hereinafter referred to as "Rules") to regulate internal administration systems pertaining to the handling of Analysts Reports from the perspective of the preparation, publication and use, etc., of Analysts Reports. In addition, the Concept behind Self-Regulatory Rules (hereinafter referred to as "Concept of the Rules") stipulated in the Rules sets out matters such as the interpretation of the Rules and matters requiring attention.

On the other hand, the kinds of action taken by Analysts for obtaining information from companies that issue securities (hereinafter referred to as "Issuers"), and for the communication to investors or in-house officers and employees (hereinafter referred to as "Investors, etc.") of the information that is so obtained or of analyses and evaluations, etc., by Analysts conducted on the basis of that information by means other than Analyst Reports have not been set out explicitly in the Rules or the Concept of the Rules.

In recent years, however, a practice has arisen that both deviates from the proper posture of Analysts and is potentially problematic from the perspective of ensuring the transparency and fairness of the markets, namely that Association Members' Analysts have obtained undisclosed information by such means as interviews, etc. with Issuers and have promptly communicated that information as "hot news" selectively to some specific Investors, etc. In addition, both domestically and overseas there have been improper acts of information communication such as the communication of corporate-related information² by Analysts to Investors, etc., and the communication of analyses, evaluations, etc., that are inconsistent with the content of published Analyst Reports, and these acts have given rise to situations in which accusations have been made of violations of laws and regulations.

¹ This is a tentative translation of the Guidelines. Please note that the Japanese original is the authoritative version.

² Corporate-related information is "undisclosed material information on the operation, business or properties of a company which is an issuer, which is found to have an impact on customers' investment decisions" as stipulated in Cabinet Office Ordinance on the Financial Instruments Business (Article 1-4-14).

Given this situation, there have been mounting calls among Association Members for unified industry thinking with regard to what constitutes optimal conduct on the part of Analysts.

Some observers hold the view that the optimal manner in which to conduct information disclosure and the communication of information should be discussed widely, including by Issuers and investors. However, because the conduct of Association Members' Analysts is linked very closely with the business activities engaged in by Association Members, in order to ensure market transparency and fairness and to enhance the credibility of market intermediation functions, the Association believes that it is necessary for the securities industry to adopt a stance of first doing what it can as an industry.

Based on this thinking, it has prepared these Guidelines concerning Association Member Analysts' Interviews, etc. with Issuers and Communication of Information (hereinafter referred to as "these Guidelines"), setting out the optimal forms of interviews, etc., by Analysts and the optimal forms of communicating information obtained from Issuers and of analyses and evaluations, etc., based on that information.

Naturally, it should be noted that these Guidelines do not limit constructive dialogue between Analysts and Issuers in relation to the writing of Analyst Reports by Analysts. These Guidelines do not stipulate a blanket prohibition of interviews, etc., with Issuers by Analysts, and do not restrict the acceptance of information sent by Issuers. They simply indicate the conduct and mindset of Analysts that will enable appropriate and effective provision of information to Investors, etc. By demonstrating proper practice by Association Members through these Guidelines, it is hoped that the practice of fair and equitable information disclosure to Issuers and Investors, etc., will become well established.

2. Overview of these Guidelines

With regard to optimal ways of obtaining information from Issuers, these Guidelines set out interpretation of the Rules with regard to the kinds of information that should be obtained through interviews, etc., and conversely, the kinds of information that should not be obtained through interviews, etc.

Next, they set out six types of communication of information by Analysts by means other than Analyst Reports, and for these they set out interpretation of the Rules with regard to information that it is acceptable to communicate to Investors, etc. and information that should not be communicated.

Finally, they list specific examples of information in each of the types of act of communicating

information. It should be noted that the specific examples are simply examples and do not cover all cases. With regard to the nature of action taken by Analysts to communicate information, please use these Guidelines to assist the making of judgment as to their propriety in light of the interpretation set out herein.

In Article 2 of the Rules, Analysts are defined as “officers or employees of Association Members who write Analyst Reports.” The definition of Analysts in these Guidelines is the same, but since the description of persons “who write Analyst Reports” could be assumed to encompass a wide range of people whose in-house duties include the writing of Analyst Reports (including the writing of parts of Analyst Reports or assisting therewith by means of interviews, etc.), please take care not to limit it only to persons who have already written (are the signatories for) Analyst Reports.

Definitions of terms used in these Guidelines are set out below.

Definitions of terms used in these Guidelines

Interviews, etc.:

Attending briefings held by Issuers (excluding large-scale briefings attended by large numbers of participants (including “large meetings”) or large-scale conferences hosted by securities companies, etc.), or conduct interviews with Issuers.

Earnings:

Information relating to profits, sales, volume of orders received, sales volume, etc., (including information concerning extraordinary profits and losses, etc., and current-term net income) aggregated to represent the results of Issuers’ corporate activity, including not only quantitative numerical information (excluding figures for sales, volume of orders received, sales volume, etc., that clearly have no effect on profits, including figures not only for companies as a whole but also for segments) but also qualitative information such as “Favorable,” “Poor/stagnant,” “No change,” relating to trends and changes in the aforesaid numerical information.

Plans:

Forecasts of earnings and business plans for the accounting period released by Issuers at the start of that period, and business plans for the following accounting period and beyond.

Published [*kohyo*]:

In addition to disclosure made pursuant to laws and regulations, this also applies to information that is common knowledge for such reasons as having been mentioned by Issuers themselves at press conferences or press clubs, etc.

Publicly available [*kokai/kochi*]:

Information that, albeit not published as described in the preceding definition, has become

extensively available by being posted by a company on its own website, disclosed via industry organizations, or mentioned in newspaper reports, etc. (excluding observational reporting)

3. Matters requiring attention relating to the obtainment of information from Issuers by Analysts

As stated in Section 1. (Purpose of Establishing Guidelines) above, the purpose of establishing these Guidelines is to indicate the practice to adopt for the communication of information to Investors, etc., by Analysts.

However, amid the large volume of information that Analysts obtain from Issuers, in order to focus attention solely on and manage the communication of information to Investors, etc., it is essential to make judgments as to the propriety of communicating the large volume of information obtained.

Especially for the examination of the applicability of the provisions concerning Material Information (stipulated in Article 8, Paragraph 1, Item (1) of the Rules and including corporate-related information; the same shall apply hereinafter), the Examining Officer in the Research Division or a Compliance Division could be considered suitable for this, but in practice the checking of all acquired information obtained by Analysts by Examining Officers in the Research Divisions or a Compliance Division would impose a considerable burden on them, and could be considered unrealistic.

In view of this, Association Members could consider applying certain limits on their Analysts at the stage of obtaining information. That is, with regard to information not considered appropriate to communicate to Investors, etc., it should not be obtained when conducting interviews, etc.

In addition, no special limits are likely to be necessary when Analysts obtain information from Issuers through uniform mailings to Analysts and other relevant persons, and when obtaining information upon attending large-scale briefings and other such meetings attended by large numbers of participants, but if such information falls into the category of Material Information, including information obtained unintentionally as a result of being in those situations, it should be managed appropriately. With regard to the management of information obtained by Analysts, please refer to Section 4 (Rationale of the management of undisclosed information obtained from Issuers and communicating it to Investors, etc.). If Analysts have obtained information from Issuers that falls into the category of Material Information, it is recommended to take measures necessary to ensure market transparency and fairness, including appealing to the Issuers to make information publicly available and refusing to receive future forwarding of such information.

This section sets out the thinking concerning types of information that Analysts should not obtain through interviews, etc. with Issuers and the types of information that are exceptions to this, bearing in mind in particular that the obtainment by Analysts of information relating to undisclosed earnings for accounting periods that are undisclosed through interviews, etc. with Issuers arouses serious concern that more fundamental information could be acquired thereby that would make it easy to determine those undisclosed earnings.

[1] Interviews, etc. with Issuers by Analysts regarding “information relating to undisclosed earnings for accounting periods”

Analysts shall not, subject to exception, conduct interviews, etc. with Issuers that relate to accounting periods for which the earnings are undisclosed.

Rationale

- With regard to information that gives pointers to the progress of, and prospects for, undisclosed earnings for accounting periods (quarterly, full-year), it falls into the category of Material Information, or contains such information, or there is serious risk that in combination with other information it could become Material Information.
- In addition, entrusting Analysts to make judgments, after obtaining such undisclosed information, as to whether or not it constitutes Material Information risks inducing the perpetration of inappropriate acts of communicating information by Analysts. For reasons such as this, there is a risk that the information-management system will be rendered inadequate.
- In consequence, the preferable method of enhancing the effectiveness of information-management arrangements is for Analysts not to obtain information relating to undisclosed earnings through interviews, etc. with Issuers, irrespective of whether or not it constitutes (or contains) corporate-related information.
- As an exception, it is acceptable to obtain by interview, etc. undisclosed information that has become publicly available and items therein (e.g. detailed region and segment-specific information provided separately by Issuers). However, it is essential to take care not to obtain information embedded in publicly available information that could be used for the purpose of facilitating the estimation of undisclosed earnings for accounting periods (information that could make it easy to estimate figures such as cost, profit-ratio, and monthly financial results).
- If information relating to undisclosed earnings for accounting periods is obtained unintentionally, it must be reported to the Examining Officer in the Research Division or a Compliance Division. If, as a result, the information is judged to fall into the category of Material Information, it must

be managed appropriately. In addition, if the Analyst and the Examining Officer who has received the report judge that there is a risk that the said information could fall into the category of corporate-related information, it must be reported to the Compliance Division in accordance with the method prescribed in internal rules.

- The obtainment of “information relating to undisclosed earnings for accounting periods” through interviews, etc. with Issuers conducted jointly with Investors, etc., is not subject to in-house examination as to matters such as whether it falls into the category of Material Information, and risks being deemed the equivalent of communicating the said information directly to specific Investors, etc. In view of this, irrespective of whether they have companions (Investors, etc.), Analysts shall not conduct interviews, etc. with Issuers for “information relating to undisclosed earnings for accounting periods.” It is also essential to take care that in cases in which they accompany Investors, etc., for other purposes, the companions (Investors, etc.) do not conduct interviews, etc. with Issuers for “information on undisclosed earnings for accounting periods.”

[2] Interviews, etc. with Issuers by Analysts regarding “quantitative information other than that relating to undisclosed earnings for accounting periods”

Analysts shall not conduct interviews, etc. with Issuers regarding quantitative information (excluding information that is published or has become publicly available) other than that relating to undisclosed earnings for accounting periods that enables earnings to be estimated easily.
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Rationale

- The quantitative information (excluding information that is published or has become publicly available) among undisclosed information for accounting periods can be linked with earnings indirectly by such means as combining it with other information and making simple calculations. Therefore, even if the nature of the information itself relates to matters other than earnings, it may include the information that enables earnings to be estimated easily (information that enables earnings to be estimated easily without undergoing the normal process of analysis by Analysts; the same shall apply hereinafter). In view of this it is essential to take care when conducting interviews, etc.. Nevertheless, as shown in the following examples, information that is clearly not connected with earnings may be obtained by interview, etc..

>> The content of full-year and medium-term plans (including company earnings forecasts) as set out below.

However, with regard to the content of midterm revisions of full-year earnings forecasts, it should be possible to check matters such as the background of disclosed corporate information, the reasons therefor, and region and segment-specific breakdowns. On the other

hand, care must be taken when beginning to aggregate earnings for the relevant quarters, and be taken to ensure no interviews, etc. enable undisclosed earnings for accounting periods to be estimated easily.

- a) Environmental awareness: Exchange, crude-oil prices, industry-wide demand forecasts, trends in product prices, etc.
- b) Sales volume, etc.: Company sales projections, price forecasts, branch/store-opening plans, etc.
- c) Capital investment, R&D plans, financial policies (e.g. targets for reducing accounts receivable turnover ratios), etc.

Note: This is based on the premise that company plans (including earnings forecasts) that do not include undisclosed actual earnings figures do not fall into the category of earnings-related information.

>> Future prospects

With regard to next-term company plans (including company earnings forecasts), however, because there is a serious risk that interviews, etc. conducted in the fourth quarter or the first quarter immediately following it will lead to the obtainment of either concrete figures for current-term earnings or other information from which they could be estimated easily, interviews, etc. are not to be conducted.

- If quantitative information other than that relating to undisclosed earnings for accounting periods that enables earnings to be estimated easily is obtained unintentionally, this must be reported to the Examining Officer in the Research Division or a Compliance Division. If, as a result, the information is judged to fall into the category of Material Information, it must be managed appropriately. In addition, if the Analyst and the Examining Officer who has received the report judge that there is a risk that the said information could fall into the category of corporate-related information, it must be reported to the Compliance Division in accordance with the method prescribed in internal rules.

[3] Interviews, etc. with Issuers by Analysts regarding information other than that referred to in [1] and [2] above.

It is acceptable to conduct interviews, etc. with regard to information other than that referred to in [1] and [2] above.

Rationale

- With qualitative information other than that relating to earnings, be it disclosed or undisclosed information for accounting periods, there is a risk that it falls into the category of information

linked with undisclosed earnings for accounting periods (enabling earnings to be estimated easily). However, as the probability thereof is low compared with “information relating to undisclosed earnings for accounting periods” and “quantitative information other than that relating to undisclosed earnings for accounting periods that enables earnings to be estimated easily,” it is acceptable to obtain it by interviews, etc. with Issuers.

- If it is difficult to decide whether information obtained by interview, etc. is linked with undisclosed earnings for accounting periods (enabling earnings to be estimated easily) or falls into the category of Material Information that should be managed as other corporate-related information (fund-raising, business collaboration, etc.), this must be reported to the Examining Officer in the Research Division or a Compliance Division. If, as a result, the information is judged to fall into the category of Material Information, it must be managed appropriately. In addition, if the Analyst and the Examining Officer who has received the report judge that there is a risk that the said information could fall into the category of corporate-related information, it must be reported to the Compliance Division in accordance with the method prescribed in internal rules.

4. Rationale of the management of undisclosed information obtained from Issuers and its communication to Investors, etc.

[1] Management of undisclosed information obtained from Issuers

<p>It must be kept well in mind that among undisclosed information obtained from Issuers there is a serious risk that information that is not publicly available could fall into the category of Material Information, and it must be managed appropriately after taking steps such as referral to a Compliance Division.</p>

Rationale

- It must be kept well in mind that among undisclosed information that Analysts obtain from Issuers there is a serious risk that information that is not publicly available could fall into the category of Material Information.
- If among undisclosed information that Analysts obtain from Issuers there is information that is not publicly available that falls into the category of Material Information, including when obtained unintentionally, this must be reported to the Examining Officer in the Research Division or a Compliance Division and be managed appropriately in accordance with internal rules.
- Notwithstanding the above, if information obtained from Issuers is “information relating to undisclosed earnings for accounting periods” or “quantitative information other than that relating

to undisclosed earnings for accounting periods that enables earnings to be estimated easily,” this must be reported to the Examining Officer in the Research Division or a Compliance Division.

- If an Analyst or the Examining Officer in the Research Division who receives a report from the Analyst finds it difficult to decide whether information obtained by the Analyst from the Issuer falls into the category of Material Information, they must make referral to a Compliance Division. If, as a result, the information is judged to fall into the category of Material Information, it must be managed appropriately.

[2] Communicating undisclosed information by the Publication, etc. of Analyst Reports, etc.

When undertaking Publication, etc. of Analyst Reports that contain information that is not publicly available and forms part of undisclosed information obtained from Issuers, or analyses, evaluations, etc., of individual companies based on the said undisclosed information, they must be handled in accordance with the Rules and the Concept of the Rules.

Note: In this section and hereinafter the use of the term “Publication, etc.” relating to Analyst Reports shall mean the publication or use (*kohyoto*) of Analyst Reports by Association Members as prescribed in Article 1 of the Rules. This differs from the meaning of “Published” [*kohyo*], as defined in Section 2 of these Guidelines, which refers to Issuers making Issuer-related information public.

Rationale

- Internal examinations and other handling relating to the use of Analyst Reports shall be conducted in accordance with the methods prescribed in the Rules.
- Particular attention must be paid to Prohibition of Provision of Corporate-related Information, etc. set out in iv, of the Concept of the Rules. If there is a strong probability that undisclosed information obtained from Issuers includes information that is not publicly available but is corporate-related information or will become corporate-related information, that information or analyses, evaluations, etc., based on that information must not be included in Analyst Reports. In addition, other than with regard to information concerning which there is a strong probability that it is corporate-related information or will become corporate-related information, it must be borne in mind that examinations of Analyst Reports must be conducted in accordance with Article 4 of the Rules.
- As set out in Section 3 (Matters requiring attention relating to the obtainment of information from Issuers by Analysts) [1] (Interviews, etc. with Issuers by Analysts regarding “information relating to undisclosed earnings for accounting periods”), there is a serious risk that it falls into the category of Material Information or contains such information, or that in combination with other

information it could become Material Information.

- If, as stated above, the relevant information falls into the category of information concerning which there is a strong probability that it is corporate-related information or will become corporate-related information, or that it contains such information, or that in combination with other material it could become Material Information, it must not be included in Analyst Reports.

- In addition, even if it is judged that information relating to undisclosed earnings for accounting periods obtained from Issuers does not fall into the category of being information concerning which there is a strong probability that it is corporate-related information or will become corporate-related information, if Analyst Reports that contain the said information or analyses, evaluations, etc., of individual companies based on the said information are to be used, it is essential to consider, together with other matters for examination, the propriety of doing so.

- In the following cases, an Analyst or the Examining Officer in the Research Division who receives a report from an Analyst must request an examination by a Compliance Division.
 - a) If, prior to Publication, etc., Analyst Reports contain undisclosed information obtained from Issuers that includes information that is not publicly available, and it is difficult to decide whether the latter falls into the category of information concerning which there is a strong probability that it is corporate-related information or will become corporate-related information.
 - b) If, prior to Publication, etc., Analyst Reports contain undisclosed information obtained from Issuers that includes information that is not publicly available, and it is difficult to decide whether the latter falls into the category of “information relating to undisclosed earnings for accounting periods” or “quantitative information other than that relating to undisclosed earnings for accounting periods that enables earnings to be estimated easily.”
 - c) If Analyst Reports contain analyses, evaluations, etc., of individual companies based on information that is not publicly available among undisclosed information obtained by Analysts from Issuers, and it is difficult to decide whether the Publication, etc. of the said Analyst Reports would risk falling into the category of being an act of soliciting by the provision of corporate-related information.

[3] Communicating undisclosed information by methods other than through Analyst Reports

With regard to information that falls into the category of Material Information, namely information that is not publicly available amid undisclosed information obtained from Issuers, and analyses, evaluations, etc., of individual companies based on the said information, prior to the Publication, etc. of Analyst Reports it is not permitted to communicate it selectively to specific Investors, etc., by methods (Refer to [2] above with regard to inclusion in Analyst Reports) other than through

Analyst Reports. However, information relating to undisclosed earnings for accounting periods must not be communicated selectively to specific Investors, etc., irrespective of whether or not it constitutes Material Information.

Rationale

- If information among undisclosed information obtained from Issuers is not publicly available and falls into the category of Material Information, Analysts are not permitted to communicate the said information selectively to specific Investors, etc., prior to the Publication, etc. of Analyst Reports by any means (telephone, e-mail, chat, documents other than Analyst Reports, etc.) other than through Analyst Reports.
- Among information obtained from Issuers relating to undisclosed earnings for accounting periods, there is a serious risk that information that is not publicly available could fall into the category of Material Information, as stated above, and thus Analysts are not permitted to communicate the said information to Investors, etc., irrespective of whether or not it constitutes (or contains) corporate-related information.
- If information among undisclosed information obtained from Issuers is not publicly available and falls into the category of Material Information, Analysts may, if provision therefor is made by internal rules, communicate the said information to in-house officers and employees in accordance with the prescribed procedures.
- If information obtained from Issuers other than “information relating to undisclosed earnings for accounting periods” does not fall into the category of Material Information, with regard to the communication of that information and of analyses, evaluations, etc., of individual companies based on that information to Investors, etc., by means other than Analyst Reports, that shall be implemented in accordance with the rationale of types 5 and 6 in Section 5 (“Communication of information by means other than Analyst Reports”: Types and the concepts behind them).

5. Communication of information by means other than Analyst Reports: Types and rationale

[1] Communication of supplementary explanations of facts underlying Analyst Reports already subject to Publication, etc.

If the information is explanations of the reasoning behind analyses, evaluations, etc., in Analyst Reports and its content is not inconsistent with the content of Analyst Reports already subject to Publication, etc., it is permitted to communicate it selectively to specific Investors, etc.

Rationale

- The information (facts) used by analysts at the time of preparing Analyst Reports is by its very nature considered not to be inconsistent with the content of the Analyst Reports, and thus even if such information is not included in the Analyst Reports, it is considered to be acceptable to communicate it selectively to specific Investors, etc.
- If the information (facts) was not used at the time Analysts prepared Analyst Reports, and explaining it would lead to the reaching of different opinions from analyses, evaluations, etc., in those Analyst Reports, it is not considered permissible to communicate it selectively to specific Investors, etc.
- Since this communication of information is explanatory with regard to Analyst Reports already subject to Publication, etc., information (facts) that has become publicly available since the Publication, etc. of the said reports do not fall into the category of being facts behind the said Analyst Reports. In consequence, irrespective of whether analyses, evaluations, etc., in Analyst Reports already subject to Publication, etc. and analyses, evaluations, etc., to be included in new Analyst Reports are identical, if the said information is communicated selectively to specific Investors, etc., that shall be handled in accordance with Section 5 [5].

[2] Communication of detailed analyses (supplementary explanations) for Analyst Reports already subject to Publication, etc.

With regard to information in the form of basic data and commentary for analyses, evaluations, etc., included in Analyst Reports already subject to Publication, etc. that is not inconsistent with the content of the said Analyst Reports, it is permitted to communicate it selectively to specific Investors, etc.

Rationale

- The data, etc., used by analysts at the time of preparing Analyst Reports is by its very nature considered not to be inconsistent with the content of the Analyst Reports, and thus even if it is not included in the Analyst Reports, it is considered to be permissible to communicate it selectively to specific Investors, etc.
- If the information comprises data, etc., that was not used at the time Analysts prepared Analyst Reports, and explaining that would lead to the reaching of different opinions from analyses, evaluations, etc., in those Analyst Reports, it is not considered permissible to communicate it selectively to specific Investors, etc.
- Since this communication of information is explanatory with regard to Analyst Reports already subject to Publication, etc., information (facts) that have become publicly available since the Publication, etc. of the said reports do not fall into the category of being detailed analysis, etc. of

the said Analyst Reports. In consequence, irrespective of whether analyses, evaluations, etc., in Analyst Reports already subject to Publication and analyses, evaluations, etc., to be included in new Analyst Reports are identical, if the said information is communicated selectively to specific Investors, etc., that shall be handled in accordance with Section 5 [5].

[3] Communication of long-term analyses, evaluations, etc., not included in Analyst Reports already subject to Publication, etc.

Unless the information content is in line with the scenarios included in Analyst Reports already subject to Publication, etc., it is not permitted to communicate it selectively to specific Investors, etc.
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Rationale

- With regard to long-term forecasts not included in Analyst Reports already subject to Publication, etc., since from the outside it would appear that Analysts are not conducting analyses or evaluations, etc., in principle it is not considered permissible to communicate it selectively to specific Investors, etc.
- With regard to a sense of direction of earnings over the long term based on assumptions that factor in publicly available information and are based on scenarios or analytical methods included in Analyst Reports already subject to Publication, etc., exceptionally it would be considered to be acceptable to communicate the information selectively to specific Investors, etc. However, if analyses, evaluations, etc., that differ from the Analyst Reports were derivable from it, it would not be considered permissible to communicate such information selectively to specific Investors, etc.
- If analyses, evaluations, etc., from Analyst Reports already subject to Publication, etc. change, it is recommended that Publication, etc. of new Analyst Reports be undertaken.

[4] Communication of analyses, evaluations, etc., for periods shorter than rating, etc., periods included in Analyst Reports already subject to Publication, etc.

Unless the information is premised on the scenarios included in Analyst Reports already subject to Publication, etc., it is not permitted to communicate it selectively to specific Investors, etc.

Rationale

- It is possible, depending upon their content, that short-term analyses, evaluations, etc., not included in Analyst Reports already subject to Publication, etc. could affect the ratings, etc. of Analyst Reports already subject to Publication, etc., and thus in principle it is not considered permissible to communicate such information selectively to specific Investors, etc.

- Premised on there being no deviation from the scope of the scenarios (occurrence of events, risks, etc., referred to in Analyst Reports) included in Analyst Reports already subject to Publication, etc. with regard to matters whose duration is shorter than the aforesaid periods it is considered permissible to communicate information selectively to specific Investors, etc.
- At times of short-term share-price fluctuations it is not considered permissible to issue comments concerning analyses, evaluations, etc., of factors behind the fluctuations relating to the companies concerned, share-price levels, or trading that are not included in Analyst Reports already subject to Publication, etc.

[5] Communication of Issuers' undisclosed information that is not included in Analyst Reports already subject to Publication, etc.

If information obtained from Issuers that is not publicly available information falls into the category of Material Information, it must not be communicated selectively to specific Investors, etc.

Rationale

- In particular with regard to information relating to undisclosed earnings for accounting periods, even if it is not categorized as corporate-related information there is a strong probability that it will fall into the category of Material Information, and since there is thus a strong possibility that it will suggest modification of the content of Analyst Reports already subject to Publication, etc. (the Publication, etc. of regular or occasional new Analyst Reports, and changes to analyses, evaluations, etc., in Analyst Reports already subject to Publication), it is not considered to be permissible to communicate it selectively to specific Investors, etc.
- In addition, if the content of quantitative information other than that relating to undisclosed earnings for accounting periods that enables earnings to be estimated easily is such that it can give Investors, etc., pointers to the progress of, and prospects for, earnings, and there is thus a strong possibility that it will suggest modification of the content of Analyst Reports already subject to Publication, etc., it is not considered permissible to communicate it selectively to specific Investors, etc.
- If information that is not publicly available that forms part of undisclosed information obtained from Issuers contains no content able to give Investors, etc., pointers to the progress of, and prospects for, earnings, does not affect analyses, evaluations, etc., in Analyst Reports, and does not create a need to undertake Publication, etc. of new Analyst Reports, it is considered permissible to communicate it selectively to specific Investors, etc. under the supervision of appropriate internal administration systems. In this case, too, the same content should be

communicated to all recipients of the information.

- As provided in 3 (Matters requiring attention relating to the obtainment of information from Issuers by Analysts) [1], interviews, etc. with Issuers conducted jointly with Investors, etc., are not subject to in-house examination as to matters such as whether they fall into the category of Material Information, and risk being deemed the equivalent of communicating the said information directly to specific Investors, etc. In view of this, irrespective of whether they have companions (Investors, etc.), Analysts shall not conduct interviews, etc. with Issuers for “information relating to undisclosed earnings for accounting periods.” It is also essential to take care that in cases in which they accompany Investors, etc., for other purposes, the companions (Investors, etc.) do not conduct interviews, etc. with Issuers regarding “information on undisclosed earnings for accounting periods.”

[6] Communication of analysis, evaluations, etc., of Issuers’ information that differ from those included in Analyst Reports already subject to Publication, etc.

Irrespective of whether or not Issuers’ information is publicly available, until such time as Publication, etc. of new Analyst Reports is undertaken on the basis thereof, Analysts’ analyses, evaluations, etc., of that information are not permitted to be communicated selectively to specific Investors, etc.

Rationale

- In cases in which there is a strong possibility that Investors, etc., will learn of Analysts’ analyses, evaluations, etc., of Issuers’ information and will conclude that changes are to be made to the content of Analyst Reports already subject to Publication, etc., those Analysts’ analyses, evaluations, etc., should be made available only through the Publication, etc. of new Analyst Reports.
- With regard to Issuers’ information about sudden occurrences of events and that becomes publicly available, if it differs from analyses, evaluations, etc., included in Analyst Reports already subject to Publication, etc., it is considered acceptable to explain the facts but to exclude Analysts’ analyses, evaluations, etc. However, in these cases too, the same content should be communicated to all recipients of the information.
- There is a strong probability that analyses, evaluations, etc., of information relating to undisclosed earnings for accounting period will fall into the category of Material Information, and thus it is not considered to be permissible to communicate it selectively to specific Investors, etc.

- With regard to analyses, evaluations, etc., of quantitative information other than that relating to undisclosed earnings for accounting periods that enables earnings to be estimated easily, if its content is such that it can give Investors, etc., pointers to the progress of, and prospects for, earnings, and there is thus a strong possibility that it will fall into the category of Material Information, the communication of the information shall be implemented by the Publication, etc. of an Analyst Report. For details of inserting content in Analyst Reports, please refer to Section 4 (Rationale of the management of undisclosed information obtained from Issuers and its communication to Investors, etc.) [2] (Communicating undisclosed information by the Publication, etc. of Analyst Reports, etc.) It is not considered permissible to communicate the information selectively to specific Investors, etc., by means other than Analyst Reports.

Examples of information that it is believed to be acceptable for Analysts to communicate selectively to specified Investors, etc., by means other than Analyst Reports

The concrete examples set out below are examples of information within the six types of communication of information laid down in these Guidelines. Each example is premised on the “rationale” section included under each type, and thus judgments must not be made solely on the basis of each example, but only with reference to the rationale as well.

1. In the category “Communication of supplementary explanations of facts underlying Analyst Reports already subject to Publication, etc.” examples of information that is considered permissible to communicate selectively to specific Investors, etc.

- (1) Content of Issuers’ Annual Securities Report, content of Issuers’ websites. In addition, as set out specifically below
 - Content of press releases issued by Issuers, content of comments made by Issuers and material used at company briefings (excluding “information relating to undisclosed earnings for accounting periods’ and ‘quantitative information other than that relating to undisclosed earnings for accounting periods that enables earnings to be estimated easily”)
 - Characteristics of goods and services (strengths/weaknesses), market share (industry ranking), historical share fluctuations
 - Content about Issuers from past newspaper articles and from Analyst Reports already subject to Publication, etc.
 - Assumptions on which analyses, evaluations, etc., are based (macro and industrial environment, individual company assumptions are covered in the next section)
 - Preliminary figures, etc., indicating interim progress
- (2) Publicly available information (Information made publicly available by Issuers, macro and industry statistical information)
- (3) Publicly available corporate information and statements by management personnel
- (4) Historical data
- (5) News articles
- (6) Generally available information (e.g. data provided by information vendors)

- (7) Detailed explanations of disclosed facts included in Analyst Reports, explanations of figures published by Issuers, market data, models, etc., upon which Analyst Reports are based
- (8) Information about investor sentiment and markets
- (9) Explanations of the grounds for evaluations, etc., provided they are not inconsistent with Analyst Reports
- (10) Analysts' predictions and forecasts upon which analyses, evaluations, etc., are premised
- (11) Supplementary explanations of analyses of fundamentals, etc.
- (12) Information with content that Analysts themselves have researched and analyzed, evaluated, etc., for the preparation of Analyst Reports, and that forms the basis of the content of Analyst Reports, or content that can be explained based on the data
- (13) Detailed discussion, etc., of content of Analyst Reports, and communication consistent with Analysts' opinions already subject to Publication, etc.
- (14) For investors, the facts that are fundamental to the analysis, evaluation, etc., of target companies, including information on the companies' accounting standards, business activities, and industry position

2. In the category “Communication of detailed analyses (supplementary explanations) for Analyst Reports already subject to Publication, etc.,” examples of information that is considered permissible to communicate selectively to specific Investors, etc.

- (1) Assumptions used for forecasts of earnings that are not included in Analyst Reports (production volume, raw-material prices, exchange-rate assumptions, detailed individual forecasts of product unit prices, etc.)
- (2) Detailed breakdowns of actual and forecast figures for sales, profits, etc., included in Analyst Reports
- (3) If increases in shareholding ratios resulting from TOBs are forecast, and the results of financial simulations of cases of 50% plus one share and of 100% are included only in Analyst Reports, the results of a simulation of a case of a 75% shareholding ratio

- (4) With regard to earnings forecasts included in Analyst Reports, detailed figures for each business activity and the product price-setting forecasts, etc., on which they are premised
- (5) Explanations of charts, etc., contained in Analyst Reports, and details of the figures on which they are based, etc.
- (6) Publicly available corporate information and statements by management personnel
- (7) Historical data
- (8) News articles
- (9) Generally available information (e.g. data provided by information vendors)
- (10) Analysis and evaluation methods (earnings models, sensitivity, corporate value, share-price forecast, market trends [supply and demand, prices])
- (11) Information about investor sentiment and markets
- (12) Supplementary data concerning Analysts' opinions already subject to Publication, etc., and data concerning more-detailed models
- (13) Supplementary explanations of material that are not inconsistent with Analyst Reports
- (14) Information with content that Analysts themselves have researched and analyzed, evaluated, etc., for the preparation of Analyst Reports and forms the basis of the content of Analyst Reports, or content that can be explained based on the data
- (15) Content that comprises degrees of progress made, breakdowns, etc., in cases in which the premises (fundamentals) of Analyst Reports are the reports' detailed analyses.
- (16) Detailed discussion, etc. of content of Analyst Reports, and communication consistent with Analysts' opinions already subject to Publication, etc.
- (17) Research models upon which analyses, evaluations, etc., are based. Presentation materials based on Analyst Reports

3. In the category “Communication of long-term analyses, evaluations, etc., not included in Analyst Reports already subject to Publication, etc.,” examples of information that is considered permissible to communicate selectively to specific Investors, etc.

- (1) With regard to long-term earnings forecasts for periods not included in Analyst Reports, directional trends of business performance based on information that has become well-known and common knowledge as information that will realize after the relevant period (see below). However, this shall be limited to information that does not change analyses, evaluations, etc.; the same shall apply hereinafter.
 - Macro events such as change to tax systems
 - Events, cycles, or trends unique to the industries to which the relevant Issuers, etc., belong
 - Factors unique to the relevant Issuers, etc. (patent expirations, hot pursuit by Chinese manufacturers, growth in demand for next-generation products, etc.)
- (2) Earnings forecasts based on the premise that sales trends included in Analyst Reports already subject to Publication, etc. will continue thereafter. (For example, if the average annual rate of sales growth is 5% up to the third year, if the same rate of 5% average annual growth continues from the fourth year onward, a 3% average annual increase in operating profit is forecast.)
- (3) Estimates based on the premise that a trend of improvement in profit ratios included in Analyst Reports already subject to Publication, etc. will continue thereafter. (For example, when it is stated that operating profit is forecast to improve by 2% per year for the next three years, if the operating profit ratio also increases by 2% per year from the fourth year onward, the medium-term operating profit ratio is expected to be X%, so if sales revenue totals Y billion yen, operating profit is estimated at Z billion yen.)
- (4) Analyses of historical information over long periods that does not include forecast figures
- (5) Qualitative impressions and earnings forecasts, etc., not accompanied by price objectives, in cases in which trends are identical with those stated in Analyst Reports already subject to Publication, etc.
- (6) Information logically derived from Analyst Reports already subject to Publication, etc., and whose content is identical for all recipients

4. In the category “Communication of analyses, evaluations, etc., for periods shorter than rating, etc., periods included in Analyst Reports already subject to Publication, etc.,” examples of information that is considered permissible to communicate selectively to

specific Investors, etc.

- (1) Information that mentions analyses, evaluations, etc., with regard to share-price fluctuations that have occurred up to and including the present day. If an event has occurred that is described in an Analyst Report already subject to Publication, etc. as a catalyst risk, analyses, evaluations, etc., thereof, provided that they are not inconsistent with the content of Analyst Reports already subject to Publication, etc.; the same shall apply hereinafter
- (2) Content that comprises degrees of progress made, breakdowns, etc., in cases in which the premises (fundamentals) of Analyst Reports already subject to Publication, etc. are the reports' short-term analyses, evaluations, etc. (quarterly earnings, etc.)
- (3) Short-term analyses, evaluations, etc., provided at the request of Investors, etc., that are based on Analyst opinions already subject to Publication, etc. or stay within the limits that is out of impacting Analyst opinions already subject to Publication, etc. (For example, the provision of factual information or information concerning events that will occur in the near future.)
- (4) Scenario analyses conducted on the basis of certain conditions adhered to jointly by Analysts and Investors, etc.
- (5) Information that refers to short-term upside/downside risk in a manner that is not inconsistent with Analyst Report ratings (continuation of Analyst Report ratings)

5. In the category “Communication of Issuers’ undisclosed information that is not included in Analyst Reports already subject to Publication, etc.,” examples of information that is considered permissible to communicate selectively to specific Investors, etc.

- (1) Information that comprises detailed segment-specific information, etc., provided separately by Issuers and itemized details of information that has become publicly available, and does not suggest changes to the content of Analyst Reports already subject to Publication, etc.
- (2) With regard to information that has become publicly available, the fact that it has become publicly available. (With regard to Analysts’ opinions relating to the said information, they are addressed in 6 below. With regard to information from rumors, etc., on the Internet or in the markets, etc., where information providers are dubious and lacking in credibility, it should not be communicated to Investors, etc., irrespective of its content.)
- (3) If, in relation to their earnings, the state of progress of companies’ annual plans has become

publicly available, the facts that it is consistent with Analysts' analyses, evaluations, etc. (or differ from those analyses, evaluations, etc.)

- (4) The fact that points of difference from comments made by Issuers at previous briefings have been identified during interviews, etc. with those Issuers, or that it has been confirmed that there have been changes in content since the time of the previous comments, provided that the information does not suggest changes to the content of the Analyst Reports already subject to Publication, etc.

6. In the category “Communication of analyses, evaluations, etc., of Issuers’ information that differ from those included in Analyst Reports already subject to Publication, etc.,” examples of information that is considered permissible to communicate selectively to specific Investors, etc.

- (1) If information that has become publicly available (excluding ‘information relating to undisclosed earnings for accounting periods’ and ‘quantitative information other than that relating to undisclosed earnings for accounting periods that enables earnings to be estimated easily,’) has been envisaged in Analyst Reports already subject to Publication, etc., and there are no plans to amend those Analyst Reports already subject to Publication, etc., communication by means other than Analyst Reports to the effect that the envisaged information has (or has not) become fact
- (2) Impressions and comments with regard to Issuers information, to the extent that this does not suggest changes to the content of Analyst Reports already subject to Publication, etc.
- (3) With regard to information that has become publicly available, the fact that it has become publicly available. In addition, if observational reporting appears in newspapers or other media, the fact that that has occurred
- (4) Statements to the effect it is not currently known whether or not the content of Analyst Reports already subject to Publication, etc. is to be changed, or that the question of whether or not to make changes is under consideration. It is not permitted to communicate that a change is to be made. It is recommended that Publication, etc. of statements to these effects be undertaken in simple Analyst Reports.
- (5) Information comprising simple calculations of forecasts of earnings, etc., on the basis of information that has become publicly available and of the content of Analyst Reports already subject to Publication, etc. (calculation methods, trends, etc.), to the extent that they do not

suggest changes to the content of Analyst Reports already subject to Publication, etc.

- (6) Supplementary explanations for Issuer information to the extent that they do not suggest changes to the content of Analyst Reports already subject to Publication, etc.